

SALAS & Co., LC
ATTORNEYS AND COUNSELORS AT LAW

Thirty Fifth Floor
909 Poydras Street
New Orleans, Louisiana 70112
Telephone 504 310 8585
Fax 504 310 8586
Email www.salaslaw.com

RECEIVED & INSPECTED

DEC 30 2003

FCC - MAILROOM

DOCKET FILE COPY ORIGINAL

Camilo K. Salas III
LL M Energy and Environmental Law
Direct Dial 504 310 8587
csalas@salaslaw.com

New Orleans, LA
San Juan, P R

December 28, 2003

BY OVERNIGHT MAIL

Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20554

Re: Petition of the Puerto Rico Department of Education to Release Funds
Associated with the Schools and Libraries Universal Service Support
Mechanism for Years 2001 and 2002
CC Docket NO 02-6

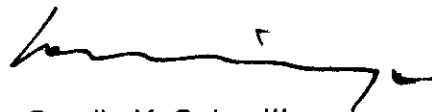
Dear Ms. Dortch:

On behalf of Data Research Corporation ("DRC"), we enclose herewith the following
pleading to be presented to the Federal Communications Commission for its consideration:

- **Memorandum Submitted in Support of Petition for Reconsideration and
Request for a Hearing to Present Evidence**

With kind regards and best wishes for the New Year, I remain

Sincerely,



Camilo K. Salas III

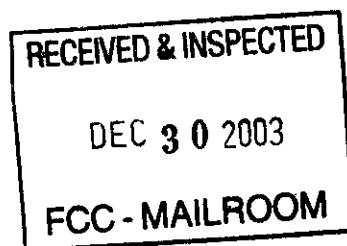
CKS:dg
Enclosure

No. of Copies rec'd 074
List APR 1/04

cc w/enc.: William Maher
Chief, Wireless Competition Bureau

A. J. Bennazar-Zequeira, Esq.

BEFORE THE
FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON, D.C. 20554



In the Matter of)
Federal-State Joint Board on)
Universal Service) CC Docket No. 02-6
Petition of the Puerto Rico Department)
of Education to Release Funds)
Associated with the Schools and Libraries)
Universal Service Support Mechanism)
for Years 2001 and 2002)

MEMORANDUM SUBMITTED IN SUPPORT OF
PETITION FOR RECONSIDERATION AND
REQUEST FOR A HEARING TO PRESENT EVIDENCE

MAY IT PLEASE THE COURT:

NOW COMES Data Research Corporation ("DRC"), and submits this memorandum in support of the petition it previously filed requesting (1) reconsideration of the Order (the "Order") issued by the Federal Communications Commission (the "Commission") on November 14, 2003, which was released November 25, 2003; and (2) requesting a hearing to present evidence in support of its petition.

I. FACTUAL BACKGROUND

On May 7, 1997, the Commission adopted rules providing discounts on all

telecommunication services, Internet access and internal connections (the “eligible services”).

Section 54.504 of the Commission’s rules requires all schools requesting discounts for eligible services to file a Description of Services Requested and Certification Form (FCC Form 470) with USAC. 47 CFR §54.504.

Section 15 of Form 470 states, in part, the following:

Although the following services and facilities are ineligible for support, they are usually necessary to make effective use of the eligible services requested in this application. Unless you indicated in Item 14 that your application is ONLY for a basic telephone service, you must check at least one box in (a) through (e). You may provide details for purchases being sought.

- a. Desktop software: Software required ☐ has been purchased, and/or ☐ is being sought.
- b. Electrical Systems: ☐ adequate electrical capacity is in place or has already been arranged; and or ☐ upgrading for electrical capacity is being sought.
- c. Computers: a sufficient quantity of computers ☐ has been purchased, and/or ☐ is being sought.
- d. Computer hardware maintenance: adequate arrangements ☐ have been made; and/or ☐ are being sought.
- e. Staff development: ☐ all staff have an appropriate level of training/additional training has already been scheduled; and/or ☐ training is being sought.

- f. Additional details: Use this space to provide additional details to help providers to identify the services you desire.

The instructions for completing Items 15(a)-(e) in Form 470 state, in part, the following:

All of the services and facilities listed in Items (15a-15e) are ineligible for support under the universal service discount mechanism. Each of the services and facilities listed, however, is necessary to make effective use of the telecommunications services, Internet access, and internet connections that are eligible for discounts...(emphasis added)

Item 23 in Form 470 states:

I recognize that support under this support mechanism is conditional upon the school(s) or library(ies) I represent securing access to all of the resources, including computers, training, software, maintenance, and electrical connections necessary to use the services purchased effectively. (emphasis added)

The instructions for completing Item 23 in Form 470 state:

Certify that you recognize that any support received under this mechanism is conditional upon the ability of your school(s) or library(ies) to secure access to all of the resources, including computers, training, software, maintenance, and electrical connections, necessary to use effectively the services that will be purchased under this mechanism. On FCC Form 471, you will need to certify that you have access to such funding. (emphasis added)

Under the various agreements that DRC had with PRDOE, DRC was required to provide only Internet access, equipment and internal connections for some of the schools. See Order at f.n. 10. DRC was not required to provide, and E-Rate funds

could not be used for, desktop software, electrical systems or connections, computers, computer hardware maintenance and/or staff development (teacher training).

Although DRC performed all its contractual obligations to provide eligible services, in many instances the PRDOE failed to secure all the resources (including computers, teacher training, desktop software, computer hardware maintenance and electrical systems or connections) necessary for the effective use of the eligible services contractually provided by DRC. *See* Order at ¶¶ 8, 12. As a result, in some instances, the eligible services that DRC adequately provided could not be effectively used by the students in the schools.

According to the Order, *see* ¶9, “[u]pon taking over, the new Secretary [of PRDOE] determined that in many schools the equipment did not appear to have been properly installed, and in other schools the electrical infrastructure was obsolete or inadequate.”

Obviously DRC had no responsibility for the fact that some schools had “obsolete or inadequate” electrical infrastructures that hindered the performance of the equipment correctly installed in and/or the Internet services properly provided by DRC. To be sure, DRC did not contract to upgrade the electrical infrastructures of those schools, which was done much later by PRDOE at a cost of \$80 million. *See*

Order at ¶12¹; DRC received no funds to upgrade the electrical infrastructures of those schools; and in any event E-Rate funds cannot be used for that purpose. Therefore, one of the purported reasons now put forth by PRDOE to justify cancellation of the DRC contracts is not true. To the extent that the Commission has made a finding, on the record presented by PRDOE without DRC's input, holding DRC responsible for the inadequacy of the electrical infrastructures of some of the schools and the resulting failure of the equipment and/or services provided by DRC, it is erroneous.

With respect to the second alleged reason for cancellation put forth by PRDOE— that the equipment did not appear to have been properly installed— there are three issues: (1) whether DRC installed the equipment improperly (in those schools where DRC installed the equipment); (2) even if the equipment was installed improperly, whether there was a valid reason for cancelling DRC's service contract without first notifying DRC of any problems and without giving it an opportunity to take corrective measures; and (3) whether PRDOE had valid reasons to request that Puerto Rico's Department of Justice investigate DRC. As will be shown below, the

¹Actually, upgrading the electrical infrastructures of those schools was the responsibility of PRDOE. *See for example* p. 2 of the Agreement dated November 14, 2000 between DRC and PRDOE (the "Agreement") attached hereto as Exhibit "A." The pertinent clause states: "The Department will be responsible for providing the adequate power supply to operate the system and equipment provided by DRC under the terms of this contract."

answer to these three questions is “no.”

During Phase I of the E-Rate program, from July 1, 1988 through June 1999, DRC submitted bids to the PRDOE for the installation of the internal connections infrastructure to deliver Internet services to approximately one-half (the “Phase I Schools”) of the 1540 public schools in Puerto Rico. *See* Order at p. 3, f.n. 10. DRC completed these tasks by September 30, 1999 and installed approximately 85,000 Internet drops or plugs. The project was subsequently audited by the Federal Government through the Anderson Consulting Firm (*See* Order at ¶7) and by the Comptroller of Puerto Rico (*See* Exhibit “B” attached hereto). Both audits made no findings at all against DRC, but clearly noted that PRDOE had failed to provide computers, teacher training, desktop software, computer hardware, and adequate maintenance of electrical systems for the schools. The findings made by the Comptroller of Puerto Rico were based on visits to 30 schools. *See* Exhibit “B” at pp. 19-20. Obviously, if PRDOE failed to provide the computers, how could the students access the Internet?

On or about March 26, 1999, DRC submitted a proposal to PRDOE to provide, as part of Phase II, Internet access and other services to the second half (the “Phase II Schools”) of the 1540 Puerto Rico schools. Phase II of the E-Rate Program, from July 1999 through June 20, 2000, began with the construction of the transport

system to be used by DRC to provide Internet services to the Phase II Schools using a wireless infrastructure.

In the third year of the E-Rate Program, from July 1, 2000 through June 30, 2001, DRC submitted a proposal to PRDOE to be the Internet service provider for the Phase II Schools. On November 14, 2000, PRDOE and DRC executed the Agreement (Exhibit "A") setting forth certain terms and conditions by which DRC was to provide certain services to PRDOE. The Agreement required PRDOE to pay DRC Forty-Five Million Five-Hundred Seventy-Thousand Eight-Hundred Dollars (\$45,570,800) for Internet and other services to be rendered by DRC to PRDOE. The Agreement, as amended, is for a period of four years, and provides that it may be terminated (1) by mutual consent; (2) unilaterally by PRDOE provided that DRC received written notification thirty (30) days prior to the intended date of termination; or (3) without prior notice to DRC but only for negligence, non-compliance with the terms of the Agreement, or due to improper conduct by DRC.

In the fourth year of the E-Rate Program, July 1, 2001 through June 30, 2002, PRDOE once again notified DRC that it had been chosen as Internet service provider for the Phase II Schools. DRC provided those services pursuant to the Agreement, for which it is owed at least \$15 million for services rendered (in the fourth year of the E-Rate program) up through February, 2002.

Until now there has been no independent audit finding that DRC improperly installed any of the equipment or that it failed to provide the services for which it contractually obligated itself. The deposition testimony of various witnesses, previously submitted by DRC, further proves that PRDOE has no evidence of any wrongdoing by DRC.

On January 24, 2002, Governor Calderón announced in a Press Release that one day earlier, on January 23, 2002, she had ordered the cancellation of all contracts granted to various individuals and/or corporations whose names had been mentioned by the media while reporting on various indictments that had been handed down as a result of alleged corruption in the Department of Education. *See* Exhibit “C” attached hereto.

Indeed, on January 23, 2002, the Puerto Rico Secretary of Education, Cesar Rey-Hernández, had written a letter (*See* Exhibit “D”) to DRC cancelling the Agreement pursuant to Clause Sixteenth thereof. DRC then wrote a letter to the Secretary of Education explaining that DRC had fully and properly performed its obligations under the Agreement. On February 15, 2002, the Secretary of Education wrote a second letter to DRC, this time invoking Clause Twelfth of the Agreement, which was now being cancelled “for reasons of healthy public administration” (in Spanish, “por razones de sana administración pública”). *See* Exhibit “E.” However,

PRDOE never gave, and DRC never received, the 30-day notice of cancellation required by Clause Twelfth. In addition, the reason given by PRDOE— which really has no substantive meaning— is not a valid reason for cancellation of the Agreement.

In sum, the PRDOE has never articulated a valid reason for the cancellation of DRC's service contracts and has supplied no proof that DRC installed any equipment incorrectly.

Consistent with the announcement made by Governor Calderón on January 24, 2003 (in which she also stated that she was going to order the investigation of all persons mentioned in the prior investigations that had taken place at the PRDOE), the PRDOE "requested that [the Puerto Rico Department of Justice] investigate possible improper or illegal use of funds by [DRC] during the years 1998, 1999 and 2000 when it provided goods and services to the PRDOE..." See Exhibit "F."

To be sure, the so-called investigation (1) was not undertaken independently by the Puerto Rico Department of Justice, but solely at the request of the PRDOE to satisfy the orders of Governor Calderón; (2) is limited to the years 1998, 1999 and 2000; and (3) after two years has resulted in no indictments or any findings of wrongdoing by DRC.

II. ARGUMENT

In the Order, the Commission stated:

We find that USAC proceeded in a probing and cautious fashion in this case, which is appropriate with respect to applications and/or Funding Request Numbers (FRNs) that are linked to an ongoing law enforcement investigation. At the same time, we recognize that indefinitely deferring action on applications could inadvertently harm individuals that ultimately will be cleared of any wrongdoing, particularly in those instances when an investigation takes years. As we recently stated in addressing the State of Tennessee's petition for relief, we are disinclined to relegate applications to an uncertain status for an indefinite period of time during the pendency of any protracted investigations. Thus, we believe that there are circumstances where deferring action on an application in whole or in part is unnecessary to prevent waste, fraud and abuse, notwithstanding the pendency of an ongoing law enforcement investigation. In reviewing such applications, however, USAC must subject such applications and/or FRNs to probing and cautious review and carefully consider the specific facts presented in each case. In particular, where, as is true here, there are law enforcement investigations pending, we think it appropriate for USAC to subject these requests to a more intensive review, tailored to the nature of the allegations that have been raised. (footnotes omitted).

DRC respectfully submits that there is no valid reason to order that USAC defer action indefinitely on funding requests involving DRC for services it provided in years 2001 and 2002, while the Puerto Rico Department of Justice investigates DRC's performance under the service agreements for the years 1998, 1999 and 2000. DRC has suffered, and will continue to suffer damages by the withholding of at least \$15 million in services it already provided to PRDOE in years 2001 and 2002.


DRC is willing to subject itself— and indeed welcomes —an intensive audit and/or review by USAC (or any auditor designated by USAC) before any payments are made, since DRC is confident that it has fully performed all obligations under its Agreements with PRDOE. However, deferring action on all FRNs involving DRC, as the Commission has ordered, is not justified.

Thus, the portion of the Order that directs “USAC not to process funding requests involving DRC for any services rendered during FY 2001 or 2002, or for prior years” (*see* Order at ¶24) should be set aside. Instead, the Commission should order that such funding requests be processed, subject to all other safeguards outlined in ¶¶23 and 25 of the Order.

Respectfully submitted:

Camilo K. Salas III (Bar No. 11657)
SALAS & Co., L.C.
Thirty Fifth Floor
909 Poydras Street
New Orleans, Louisiana 70112
Telephone (504) 310-8585
Fax: (504) 310-8586


CAMILLO K. SALAS III

<p style="text-align: center;"><u>CERTIFICATE OF SERVICE</u></p> <p>I do hereby certify that I have on this <u>28th</u> day of <u>December, 2003</u>, served a copy of the foregoing pleading on counsel for all parties to this proceeding by hand delivery, U S Mail or facsimile transmission</p> <p style="text-align: center;"> Camilo K. Salas III</p>
--

AGREEMENT
between the
Puerto Rico Department of Education
and
DRC CORPORATION


In the city of San Juan, Puerto Rico on this day of November of the year 2000,
appear:-----


As PARTY OF THE FIRST PART: The Department of Education of the
Commonwealth of Puerto Rico represented in this act by its Secretary, Prof. Victor
Fajardo, of legal age, married, and resident of Guaynabo, Puerto Rico, hereinafter
referred to as **THE DEPARTMENT**.-----

As PARTY OF THE SECOND PART: DRC Corporation, a Corporation organized
under the Laws of the Commonwealth of Puerto Rico, employer identification number
660-48-1545, herein represented by its President, Mr. Santos Diaz Diaz, of legal age,
married, executive and resident of Carolina, Puerto Rico, hereinafter referred to as
DRC.-----

Both parties witness to being duly authorized to execute this **AGREEMENT** and will
attest accordingly when and wherever necessary.-----

WITNESSETH

 WHEREAS, **THE DEPARTMENT** in the exercise of the powers granted it by the
Constitution and laws of the Commonwealth of Puerto Rico wishes to contract the
services of **DRC**.-----

 WHEREAS **DRC** has the capacity and experience necessary to perform the tasks and
obligations to be undertaken under the terms of this agreement.-----

NOW THEREFORE and in consideration of the mutual covenants contained herein
DRC agrees to provide **THE DEPARTMENT** the services hereinafter described
subject to the following:-----

CLAUSES AND CONDITIONS

--- **FIRST**: **DRC** will provide and install the following services:-----

--- **A**: A wireless infrastructure for the new schools of the Department of

EXHIBIT

A

tabbles

Education, and any of the original 780 schools that require additional capacity, that will include the following equipment and services:-----

1. 350 WavePoint-II Access Points with 525 2.4 Ghz antennas among the 780 schools.-----
2. 20000 PC Frequency Radio and Antenna Systems for the user transmission at these 780 schools.-----
3. 300 UTP Cat 5 drops for the connection to the ATM infrastructure.-----
4. All installation and configuration services.-----

-----A: DRC will provide and install HP NetServer servers, and IBM Netfinity Servers for a total of 4600 servers.-----

-----B: DRC will provide and install, 965 HP SureStore DAT 24 x 6e Autoloader DDS3 Drives and 575 IBM x 120/240 DDS4 Autoloader Drives for a total of 1540 schools of the Department of Education.-----

-----C: DRC will provide and install Operating System Software with 55000 client licenses on the 4600 Servers.-----

-----D: DRC will provide and install 100 HP ProCurve hubs (12 ports) at the 100 new and/or original 780 Schools-----

-----E: DRC will install, test and connect to the schools a total of 4600 servers, (1) Triplite Omnismart 1050 and/or APC Smart UPS 1050.-----

-----F: DRC will provide Internet Access and services to the 780 schools and for up to 54,227 users. The Internet Access and services are detailed in Exhibit I (See copy of detailed description of products and services to be rendered included herein as Exhibit I)-----

-----THE DEPARTMENT will be responsible, for providing the adequate power supply to operate the system and equipment provided by DRC under the terms of this contract-----

-----DRC Corporation will be responsible for daily clean-ups of working area, materials provided onsite, and for tools used. DRC Corporation will adhere and

comply with any rules and regulations established and these shall be presented and defined at the initial planning meeting on the project management team.-----

-----SECOND: DRC hereby agrees to make the necessary research and submit all pertinent documentation for the successful execution of the tasks to be performed under this agreement.-----

-----THIRD: Personnel from DRC will coordinate and meet with the authorized representatives of **THE DEPARTMENT** or with representatives of any governmental agency of the Government of Puerto Rico designated to assure the fairness of the public policies and the proceedings of this contract when applicable. Furthermore the **THE DEPARTMENT** agrees to the obligations specified in the proposal.-----

-----FOURTH: DRC states herein that no personnel from the Department of Education have financial interest in this contract.-----

-----FIFTH: DRC certifies as to its personal circumstances as required by Article 177 of the Political Code, as amended; clause A, paragraph 18, and Annex III, clause B, sections 4 and 5 of Circular Number 1300-31-92, issued by the Secretary of The Treasury on June 24, 1992.-----

----- (x) DRC certifies that it renders services under contract to other agencies of the Government of Puerto Rico and that the same are authorized by law and present no conflict with this contract.-----

-----SIXTH: DRC recognizes that in the discharge of its professional responsibilities it has a duty of loyalty to the Agency, and that this includes not having interests adverse to those of **THE DEPARTMENT**. These adverse interests include the representation of clients who have, or could have, opposing interests to those of **THE DEPARTMENT**. This duty, moreover, includes the continuous obligation of disclosing to the Agency all circumstances of its relationship with clients or third parties or any other interest which could influence the Agency at the moment of executing this contract or during its term.-----

-----The retained party represents conflicting interests when, in benefit of another client, it must promote something that may result in opposition to its obligations

towards another previous, actual or potential client. It also represents conflicting interests when its conduct is described as such in the recognized ethical standards of its profession or in the laws and regulations of the Commonwealth of Puerto Rico.-----

-----In contracts with associations and firms it will be considered a violation of this prohibition were any of its directors, associates, or employees to engage in the conduct herein described. The retained party will prevent even the appearance of conflicting interests -----

-----The retained party understands the monitoring power of the Chief of Agency, in relation to the compliance of the prohibitions herein contained. Where the Chief of Agency believes that there exist, or have existed conflicting interests with the retained party, he will notify in writing these findings to the retained party and his intention to terminate the contract within thirty (30) days. Within this period of time, the retained party may request a meeting with the said Chief of Agency to present his arguments on the findings of conflict of interests, and this meeting will be granted in any event. Were this meeting not to be requested within the stipulated time, or were the controversy not to be satisfactorily resolved during the meeting, this contract shall be terminated.-----

-----SEVENTH: The parties agree that the payment method will be the following:-----

-----ONE: THE DEPARTMENT will pay DRC the total amount of Forty five Million Five Hundred Seventy Thousand Eight Hundred Dollars (\$45,570,800.00) for services rendered under the terms of this contract. Detailed description of products and services to be rendered as attached as Exhibit I, and made to form part of this agreement -----

-----TWO: Payments to DRC services shall be carried out from the E Rate funds.-----

-----THREE: Payments to DRC shall be made by THE DEPARTMENT upon receipt of certified invoices and such payments will be received by the DRC not later than thirty (30) days upon receipt of said invoices.-----

-----FOUR: DRC will invoice THE DEPARTMENT after each of the successful completion of each of the services designated under "Clauses and Conditions", specifically FIRST Clause, Section A through F.-----

-----EIGHTH: In accordance to Circular Letter number 1300-26-95 of June 19, 1995, and the Puerto Rico Income Tax Law of 1954, as amended, DRC hereby certifies that it has a total exemption certificate issued by the Department of Treasury so that no withholding of seven percent (7%) of the payments will be effected.-----

-----No withholding nor discounting of fees shall be effected upon DRC for Federal Social Security purposes. DRC shall be responsible for filing and paying its Federal Social Security Taxes and for any amount due as a result of income earned under the terms of this contract. THE DEPARTMENT will notify the Income Tax Office as to payments and reimbursements made to DRC.-----

-----NINTH: DRC accepts that THE DEPARTMENT may retain from payments made to DRC those amounts which may correspond to debts associated with income tax, real property and personal property taxes (CRIM), duties, unemployment insurance, temporary disability, social security payments for drivers, license fees, interest debt, dividends, rent and any other similar obligations owed by DRC to the Government of Puerto Rico.-----

-----TENTH: DRC certifies and guarantees that at the time of this contract's execution it has filed its income tax returns during the five (5) years prior to this contract. DRC also certifies that it currently has a debt with the Department of the Treasury of the Commonwealth of Puerto Rico that is being contested and disputed. It further agrees that if the dispute is resolved in favor of the certification of the debt, THE DEPARTMENT is hereby authorized to retain from payments due to DRC, the agreed amount of the debt. THE DEPARTMENT can only do this after a written notice is rendered to DRC.-----

-----It further certifies that it does not owe any property or real estate taxes, or taxes due to Unemployment Insurance, Temporary Disability and Social Security for drivers.-----

-----It is expressly recognized that these are essential conditions for this contract and if the preceding certification is not correct in whole or in part, this will be sufficient cause for THE DEPARTMENT to cancel this contract.-----

-----ELEVENTH: This contract will be in effect from the first day of July 2000 until the 30th day of June 2001. THE DEPARTMENT may contract DRC, for three (3) additional years, to provide the services designated under "Clauses and Conditions", specifically, First Clause, Section F, provided that E-Rates funds are available.-----

-----TWELFTH: This Contract may be terminated at any time by mutual consent of both parties. THE DEPARTMENT may terminate this contract prior to its expiration date, by written notification to DRC thirty (30) days prior to the intended date of termination, stating the reasons for its termination. At THE DEPARTMENT'S discretion, DRC will be allowed no more than thirty (30) days from the date of the mailing to remedy the conditions outlined in the notice to the satisfaction of THE DEPARTMENT'S representative. In the event of termination, THE DEPARTMENT'S liability for payments to DRC will be limited to services/materials provided prior to the date of cancellation per notice of termination. DRC will have no right to additional compensation, except that earned up to the date of termination.-----

-----DRC accepts that the final execution of this contract is conditioned to the availability of the funds requested by THE DEPARTMENT from School and Libraries Division of USAC for this purpose. DRC agrees not to commence rendering services until it has received written confirmation in writing to this purpose from THE DEPARTMENT; except internet connection services which may be rendered from July 1st 2000.-----

-----THIRTEENTH: This Contract may be amended at any time by mutual written consent of both parties. Any amendment thereof, must be signed by authorized representatives of both parties.-----

-----FOURTEENTH: The internet services to be provided by DRC to THE DEPARTMENT, will remain in place for a one (1) year term with an optional three

(3) year renewal term, provided that E-Rate funds are available. The fees to be paid during this renewal will be negotiated by the appearing parties.-----

-----FIFTEENTH: In the event of any dispute or disagreement about the validity of this Contract and any of its terms or provisions, as well as the rights and duties of the parties to this Contract, is governed by the laws of the Commonwealth of Puerto Rico and all applicable local laws and regulations.-----


-----SIXTEENTH: Negligence or non-compliance with the terms of this contract or improper conduct by DRC will constitute sufficient cause to terminate the same without the requirement of prior notice. If THE DEPARTMENT decides to terminate this contract DRC will abstain from performing any further acts unless its inaction would cause harm to THE DEPARTMENT or imply improper professional conduct, in which case it will notify THE DEPARTMENT of the action taken.-----

-----SEVENTEENTH: All addenda mentioned herein are made integral part of this contract-----


-----In witness whereof the parties above mentioned execute this contract in San Juan, Puerto Rico on this 14 day of November, 2000-----



PROF. VICTOR FAJARDO
SECRETARY
DEPARTMENT OF EDUCATION
"THE DEPARTMENT"



MR. SANTOS DIAZ DIAZ
PRESIDENT
DRC CORPORATION
"DRC"

Revisado por: 
11-14-00
Edmundo L. L. L.

MOUILLON OC-00 DE (MODEL OC-00-00)
REV OCTUBRE 1990 (REV OCTUBRE 1990)
REGAMENTO NUM 33 DEL 28 DE ENERO DE 1990
REGULATION NO 33 OF JANUARY 28 1990

ESTADO LIBRE ASOCIADO DE PUERTO RICO
Commonwealth of Puerto Rico
OFICINA DEL CONTRALOR
Office of the Comptroller
San Juan, Puerto Rico

CERTIFICACIÓN
CERTIFICATION

SOBRE OTORGAMIENTO DE CONTRATO, ESCRITURA O DOCUMENTO RELACIONADO
REGARDING THE EXECUTION OF CONTRACTS, DEEDS AND OTHER RELATED DOCUMENTS

11/ Código de Entidad Entity Code 1 2 0 1

12/ Número del Contrato 11111111111111111111
Contract Number

3/ Fecha de Otorgamiento (dd/mm/aa) 14-11-00
Date of Execution (dd/mm/yy)

4/ Cuantía Total

4	5	,	5	7	0	.	8	0	0	.	0	0
---	---	---	---	---	---	---	---	---	---	---	---	---

 E-RATE Funds

15/ Código del Tipo de Contrato 11
Contract Type Code

16/ Exento
Exempt

17/ Orden (Aprobación o dispensa de algún organismo del Gobierno)
Control: Type Code

18/ Vigencia desde (dd/mm/aa) 0 1 - 0 7 - 2 0 0 0 Hasta (dd/mm/aa) 3 0 - 0 6 - 2 0 0 0

19/ Seguro Social Personal o Patronal
Social Security Number

6	6	0	-	4	8	-	1	5	4	5
---	---	---	---	---	---	---	---	---	---	---

10/ Contractor(s) DRC CORPORATION

11/ Representante(s) de la(s) Entidad(es) Gubernamental(es) Departamento de Educación
Government Representative(s)

Se somete la presente certificación en cumplimiento con la Carta Circular promulgada por el Comodoro de Puerto Rico y en cumplimiento con el Reglamento Núm. 33 Sobre Registro de Contratos, escrituras y Documentos Relacionados y Envío de Copias a la Oficina del Contralor. Esta debe ser remitida a la Oficina del Contralor. (This certification is submitted in compliance with the Instructions issued by the Comptroller of Puerto Rico and in accordance with Regulation No. 33, regarding the Registration of Contracts, Deeds and Other Related Documents and the Mailing of such Copies to the Comptroller's Office by the government entity.)

Los suscritores certificamos haber otorgado hoy el contrato descrito en este documento.
The undersigned certify having that the contract described in this document was executed on this date.

1/12/ En (ciudad) San Juan Puerto Rico, hoy (dd/mm/aa) 1/14 - 1/16 - 10/10
 III " Puerto Rico, today (dd/mm/yy)

/13/ firma(s) Conținută(s):

Signature of the Contractor

Firm (Signature)

Santos Díaz Díaz

DRC CORP

 Print (Signature)

Lettera de nobile (primo)

14/ I think(s) functional(s) Governmental(es):
Signature of the Government Official(s)

Printed (Signature) _____

VICTOR FAJARDO

Both the *in vitro* and *in vivo* studies

Letras de molde (print)

AMENDMENT TO AGREEMENT
between the
Puerto Rico Department of Education
and
DRC CORPORATION

In the city of San Juan, Puerto Rico on this day of December of the year 2000,
appear.....

As PARTY OF THE FIRST PART: The Department of Education of the
Commonwealth of Puerto Rico represented in this act by its Secretary, Professor
Victor Fajardo, of legal age, married, executive and resident of Guaynabo, Puerto
Rico, hereinafter referred to as **THE DEPARTMENT**.....

As PARTY OF THE SECOND PART: DRC CORPORATION, a corporation
organized under the Laws of the Commonwealth of Puerto Rico, employer
identification number 660-48-1545, herein represented by its President, Mr. Santos
Díaz, of legal age, married, executive and resident of Carolina, Puerto Rico, herein
known as **DRC THE SECOND PARTY**.....

-----Both parties witness to being duly authorized to this Amendment to Agreement
and will attest accordingly when and wherever necessary.-----

-----This Amendment to Agreement shall be dated as of December 13, 2000 between
THE DEPARTMENT and **DRC**.....

-----**WITNESSETH**-----

-----**WHEREAS**, **THE DEPARTMENT** and **DRC** signed an Agreement dated
November 14, 2000, to provide products and services (hereinafter "Agreement").-----

-----**WHEREAS**, the School and Libraries Division/USAC denied federal funding for
a portion of the internet-access services, these are Proxy Services, and the Control
Server Services.-----

-----**WHEREAS**, the Department of Education acknowledges the non-approval of
such funds and agrees to amend the Agreement reducing the total amount of the
Agreement.-----

-----Now Therefore, in consideration of the promises and the mutual agreements
herein contained, the parties hereto agree as follows:-----

-----Amend Clauses SEVENTH, ELEVENTH and FOURTEENTH of the Agreement dated November 14, 2000 so that they read as follows:-----

-----SEVENTH: The parties agree that the payment method will be the following:-----

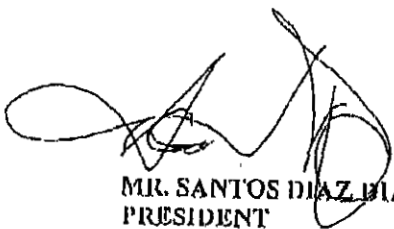
-----ONE: 'THE DEPARTMENT' will pay DRC the total amount of Forty Three Million Four Hundred Eighty Seven Thousand Two Hundred Forty Eight Dollars (\$43,487,248.00) for services rendered under the terms of this contract. Detailed description of products and services to be rendered as attached as Exhibit 1, and made to form part of this Agreement. -----

-----ELEVENTH: This contract will be in effect from the first day of July 2000 until the 30th day of June 2001. Notwithstanding the aforementioned, the internet access services provided here under the "Clauses and Conditions", First Clause, Specifically Section F, shall continue to be provided to THE DEPARTMENT until the 30th day of June 2004, provided that E-Rates funds are available.-----

-----FOURTEENTH: The internet services to be provided by DRC to 'THE DEPARTMENT', will remain in place for a four (4) year term, provided that E-Rate funds are available.-----

-----IN WITNESS WHEREOF the parties hereto execute this Amendment to Agreement in San Juan, Puerto Rico, on the ____ day of December of 2000.-----


PROF. VICTOR FAJARDO
SECRETARY
DEPARTMENT OF EDUCATION
"THE DEPARTMENT"


MR. SANTOS DIAZ DIAZ
PRESIDENT
DRC CORPORATION
"DRC"

DEPARTAMENTO DE EDUCACION
Sometido por: Kivio Peguero Cuello
Fecha: _____
Con cargo a: _____
Revisado en División Legal: _____
Por: _____
Fecha: _____

MODELO OC 08-08 (MODELO OC 09-09)
REV OCTUBRE 1999 (REV OCTUBRE 1999)
REGlamento NÚM. 33 DEL 28 DE ENERO DE 1996
REGULATION NO. 33 OF JANUARY 28, 1996

ESTADO LIBRE ASOCIADO DE PUERTO RICO
Commonwealth of Puerto Rico
OFICINA DEL CONTRALOR
Office of the Comptroller
San Juan, Puerto Rico

CERTIFICACIÓN
CERTIFICATION

SOBRE OTORGAMIENTO DE CONTRATO, ESCRITURA O DOCUMENTO RELACIONADO
REGARDING THE EXECUTION OF CONTRACTS, DEEDS AND OTHER RELATED DOCUMENTS

1/ Código de Entidad 1 2 0 1
Entity Code

2/ Número del Contrato
Contract Number

3/ Fecha de Otorgamiento (dd/mm/aa)
Date of execution (dd/mm/yy)

4/ Cuantía Total \$ 4 3 , 4 8 7 , 2 4 8 . 0 0
Total Amount

5/ Código del Tipo de Contrato
Contract Type Code

6/ Exento
Exempt

7/ Orden (Aprobación o dispensa de algún organismo del Gobierno)
Contract Type Code

8/ Vigencia desde (dd/mm/aa) 0 7 - 0 7 - 2 0 0 0 Hasta (dd/mm/aa) 3 0 - 0 6 - 2 0 0 1
Contract Number

9/ Seguro Social Personal o Patronal 6 6 0 - 4 8 - 1 5 4 5
Social Security Number

10/ Contratista(s) DRC CORPORATION
Contractor

11/ Representante(s) de la(s) Entidad(es) Gubernamental(es) DR. VICTOR FAJARDO - Secretario de Educación
Government Representative(s)

Se somete la presente certificación en cumplimiento con la Carta Circular promulgada por el Contralor de Puerto Rico y en cumplimiento con el Reglamento Núm. 33 Sobre Registro de Contratos, escrituras y Documentos Relacionados y Envío de Copias a la Oficina del Contralor. Esta debe ser remitida a la Oficina del Contralor. (This certification is submitted in compliance with the instructions issued by the Comptroller of Puerto Rico and in accordance with Regulation No. 33, regarding the Registration of Contracts, Deeds and Other Related Documents and the Mailing of such Copies to the Comptroller's Office by the government entity.)

Los suscribientes certificamos haber otorgado hoy el contrato descrito en este documento.
The undersigned certify having that the contract described in this document was executed on this date

12/ En (ciudad) San Juan Puerto Rico, hoy (dd/mm/aa) 0 7 - 0 7 - 2 0 0 2
In Puerto Rico, today (dd/mm/yy)

13/ Firma(s) Contratista(s)
Signature of the Contractor(s)

Firma (Signature)

Mr. Santos Diaz - Presidente, DRC Corporation
Letra de molde (print)

Firma (Signature)

Letra de molde (print)

14/ Firma(s) Funcionario(s) Gubernamental(es).
Signature of the Government Official(s)

Firma (Signature)

Dr. Victor Fajardo - Secretario de Educación
Letra de molde (print)

Firma (Signature)

Letra de molde (print)